

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-06 EUR-12 EA-07 IO-10 ISO-00 EB-07 AID-05

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 CIEP-01

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TO SECSTATE WASHDC PRIORITY 2057

INFO AMEMBASSY BRUSSELS

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AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY STOCKHOLM

AMEMBASSY JAKARTA

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

AMEMBASSY MADRID

USMISSION OECD PARIS

USMISSION GENEVA

USMISSION USUN NY

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 9113

E. O. 11652: N/A

TAGS: EFIN, EAID, BR

SUBJECT: INTERNATIONAL FINANCE CORPORATION (IFC) CAPITAL
REPLENISHMENT

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REF: STATE 242712

1. ECONOMIC COUNSELOR AND FINATT MET WITH COSTA FRANCO, DIRECTOR OF FONOFF DIVISION OF FINANCIAL POLICY, AND DISCUSSED, INTER ALIA, THE U.S. PROPOSAL ON THE REPLENISHMENT OF THE IFC -- DRAWING FROM POINTS IN REFTEL.

2. COSTA FRANCO RESPONDED TO OUR POINTS ONLY IN VERY GENERAL AND SOMEWHAT VAGUE, TERMS -- SAYING THAT THE VARIOUS PROPOSALS MADE IN SECRETARIES KISSINGER AND SIMON SPEECHES WERE CURRENTLY UNDER STUDY WITHIN THE GOB. HE MADE THE FOLLOWING POINTS TO QUESTIONS RAISED IN PARAGRAPH 12 REFTEL: (A) BRAZIL SUPPORTS IN PRINCIPLE THE STRENGTHENING OF THE IFC; (B) PENDING ELABORATION OF GOB'S POSITION, HE COULD NOT PASS JUDGMENT ON SIZE OF US PROPOSED INCREASE AND (C) HE DID NOT FORESEE ANY PROBLEM IN BRAZIL'S PARTICIPATING IN THE REPLENISHMENT. HE THOUGHT BRAZIL WOULD PROBABLY AGREE TO INCREASE ITS RELATIVE POSITION IN THE CAPITAL SHARE OF THE IFC.

3. DURING OUR CONVERSATION, COSTA FRANCO REITERATED BRAZIL'S DESIRE, WHICH WAS EXPRESSED BY CENTRAL BANK PRESIDENT PAULO LIRA TO UNDER SECRETARY ROBINSON DURING THE LATTER'S VISIT TO BRASILIA, FOR A MASSIVE INCREASE IN THE LENDING POTENTIAL OF THE WORLD BANK AND THE REGIONAL LENDING INSTITUTIONS. HE STRESSED THAT MOST OF THE SCHEMES ENVISAGED IN SECRETARY KISSINGER'S U.N. SPEECH ARE DESIGNED TO HELP THE LEAST DEVELOPED OF THE LDCS, WITH LITTLE NEW ASSISTANCE FOR COUNTRIES LIKE BRAZIL. AN INCREASED FLOW OF RESOURCES THROUGH THESE IDLIS WOULD, COSTA FRANCO SAID, PROVIDE AN ADDITIONAL COUNTERCYCLICAL FORCE AT A TIME WHEN THE DEVELOPED WORLD IS IN THE THROES OF A DEEP RECESSION. IT WAS POINTED OUT TO COSTA FRANCO THAT WE HAD JUST COMPLETED A VERY FAVORABLE PACKAGE ON THE REPLENISHMENT OF THE IDB AND THAT THE WORLD BANK HAD, IN RECENT YEARS, ALREADY BEEN INCREASING ITS ANNUAL LENDING TOTALS AT A SIGNIFICANT PACE.

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4. WE HOPE TO OBTAIN ADDITIONAL REACTIONS TO OUR IFC PROPOSAL FROM THE FINANCE MINISTRY AND CENTRAL BANK. JOHNSON

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